

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00  
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 EUR-12  
EA-07 AGR-05 STR-04 /078 W  
-----062121Z 057369 /63

P 062026Z MAY 77

FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC PRIORITY 0072

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ALSO PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, ETRD, PA

SUBJ: EXIMBANK LOAN TO PURCHASE BARGES

REF: ASUNCION 224

1. SUMMARY. BECAUSE OF INTERNAL AND EXTERNAL PRESSURES, GOP IS RECONSIDERING ITS DECISION TO PURCHASE U.S. BARGES WITH EXIMBANK GUARANTEE. TO SUPPORT EFFORTS TO PROMOTE SALE OF U.S. EQUIPMENT, EMBASSY WOULD APPRECIATE RECEIVING EXIMBANK'S VIEWS ON THE POSSIBILITIES OF PROVIDING A DIRECT LOAN TO GOP FOR A TEN-YEAR PERIOD TO PURCHASE U.S. BARGES. END SUMMARY.

2. SINCE ANNOUNCEMENT OF EXIMBANK GUARANTEE FOR LOAN TO PURCHASE U.S. BARGES AND TUGS, GOP AND CENTRAL BANK HAVE RECEIVED OFFERS OF EQUIPMENT FROM OTHER COUNTRIES, STRONGLY SUPPORTED BY INTERESTED PARTIES WITHIN PARAGUAY. INFORMATION ON PROPOSALS AND RECOMMENDATIONS MUST GO TO PRESIDENT STROESSNER FOR A DECISION IN THE NEAR FUTURE. THE PRESIDENT OF THE CENTRAL BANK, AND OTHERS, WOULD PREFER TO LIMITED OFFICIAL USE

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BUY U.S. EQUIPMENT WITH A LOAN FROM EXIMBANK, PROVIDED WE CAN OFFER CLOSE TO EQUIVALENT TERMS.

3. WOULD EXIMBANK CONSIDER FINANCING THIS EQUIPMENT WITH A LONG-TERM DIRECT LOAN INSTEAD OF SUPPLIER CREDIT? REQUEST WOULD BE FOR U.S. \$5 MILLION LOAN TO BE MADE TO PARAGUAYAN GOVERNMENT AGENCY, PROBABLY FLOTA MERCANTE

DEL ESTADO, WITH GUARANTEE BY CENTRAL BANK. GOP WOULD AGREE TO USE FUNDS FOR PURCHASE OF AMERICAN EQUIPMENT. IF SUCH A LOAN WOULD BE POSSIBLE, EMBASSY NEEDS PRELIMINARY ESTIMATE SOONEST ON: (A) POSSIBLE TIME PERIOD (GOP IS PUSHING FOR TEN YEARS); (B) GRACE PERIOD; AND (C) INTEREST RATE. WOULD EXIMBANK MAKE ROUGH ESTIMATE OF TIME NEEDED FOR NEGOTIATIONS?

4. IF EXIMBANK CANNOT CONSIDER DIRECT LOAN, CAN SUPPLIERS' CREDITS BE GRANTED FOR LONGER PERIOD THAN FIVE YEARS? WHAT WOULD USUAL TERMS FOR SUCH CREDITS BE? THE REPAYMENT PERIOD APPEARS TO BE THE KEY FACTOR IN COMPETING AGAINST GERMAN AND JAPANESE OFFERS.

5. PARAGUAY IS A GOOD LOAN PROSPECT. ECONOMIC SITUATION, WHICH AS GOOD IN 1976, HAS IMPROVED IN EARLY MONTHS OF 1977, BECAUSE OF SUBSTANTIAL EXPORTS OF BOTH SOYBEANS AND COTTON AT HIGH PRICES. PRODUCTION OF THESE CROPS WILL INCREASE IN 1978, AND THE PRICES ARE EXPECTED TO REMAIN HIGH. AS EXIMBANK KNOWS, PARAGUAY INCREASED ITS FOREIGN EXCHANGE RESERVES IN 1976 AND EXPECTS TO DO THE SAME IN 1977. ALTHOUGH INFLATION RATE IN 1977 MAY BE HIGHER THAN THE PHENOMENALLY LOW RATE OF 4.4 PERCENT IN 1976, PARAGUAY STANDS OUT IN LATIN AMERICA FOR ITS LOW INFLATION, ITS FINANCIAL STABILITY AND ITS GOOD REPAYMENT RECORD. OVER THE LONGER TERM, WITH THE IMPROVING ECONOMIC SITUATION IN ARGENTINA, IT APPEARS LIKELY THAT WORK ON PARAGUAY'S SECOND HYDROELECTRIC PROJECT OF YACYRETA WILL START IN TIME TO TAKE UP ANY LIMITED OFFICIAL USE

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SLACK IN EMPLOYMENT OR CAPITAL IMPORTS RESULTING FROM THE COMPLETION OF THE ITAIPU PROJECT.

6. THE LOAN WOULD BE USED FOR A WORTHWHILE PURPOSE. BARGES ARE A KEY ELEMENT IN THE TRANSPORTATION OF AGRICULTURAL PRODUCTS FROM THE SMALL INLAND FARMING TOWNS TO LARGER CENTERS WHERE THEY CAN BE STORED OR PREPARED FOR EXPORT. BARGES USUALLY HAVE A LIFE OF AT LEAST 20 YEARS IN PARAGUAY.

7. EMBASSY WOULD APPRECIATE RECEIVING PRELIMINARY VIEWS ON THE POSSIBILITY OF AN EXIMBANK LOAN BY TUESDAY, MAY 10.  
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## Message Attributes

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**Review Markings:**  
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